

## Frequently Asked Questions

### Bank Indonesia Regulation No. 22/2/PBI/2020 on the Second Amendment to Bank Indonesia Regulation Number 20/10/PBI/2018 on Domestic Non- Deliverable Forward Transactions

1. What is the background of this Bank Indonesia Regulation issuance?

The background of this regulation issuance is to hold the growing demand for USD by expanding types of underlying transactions for foreign investors in order to give alternatives for hedging of rupiah exposure. It aims to provide flexibility for foreign investors desirous of currency exposure, whereas due to market instability, the foreign investors are reluctant to have any position in SBN and domestic stocks. Foreign investors may remain conducting hedging through DNDF while awaiting market to be stable for re-investment. It is accommodated through the use of foreign investor's rupiah accounts as an underlying transaction for purchasing DNDF in USD/IDR.

2. What are the amended provisions of this Bank Indonesia Regulation?

The amendment hereto is addition to underlying transactions for DNDF in the form of Foreign Party's rupiah account, among others are savings accounts, checking accounts (giro), and deposit accounts for investments, for investment return saving, and/or for any other purposes.

3. What are the requirements for a Foreign Party to make its rupiah account as an underlying transaction for DNDF?

A Foreign Party must submit a Statement Letter to a Bank containing the following:

- a. For an underlying transaction in the form of rupiah cash account only, the account balance must at any time be higher than or equal to the corresponding DNDF transaction.
- b. For an underlying transaction in the form of rupiah account as part of portfolio investment, the whole portfolio investment amount must be higher than or equal to the corresponding DNDF transaction.

Example:

1. NS is a Foreign Party who has balance in its rupiah checking account of Rp.1,000,000,000 (one billion rupiah). NS decides to make a DNDF purchase transaction equivalent of IDR 500,000,000 (five hundred million rupiah) using an underlying of its rupiah checking account balance.

This transaction can be done because the DNDF purchase transaction does not exceed the amount of Underlying Transaction in the form of the Foreign Party's rupiah account.

2. Investor AP is a foreign investor who has balance in its rupiah checking account of Rp100.000.000.000 (one hundred billion rupiah) and rupiah assets in the form of stock equivalent to Rp.500,000,000,000 (five hundred billion rupiah). Investor AP makes a DNDF purchase transaction in USD/IDR equivalent to Rp.600,000,000,000 (six hundred billion rupiah) with a tenor of 3 months. In the second month, investor AP purchases stocks of Rp.70,000,000,000 (seventy billion rupiah) whose fund comes from Rupiah checking account, and therefore, the balance now becomes Rp.30,000,000,000 (thirty billion rupiah), and the stock increases to Rp.570,000,000,000 (five hundred seventy billion rupiah).

This transaction can be done without adjusting the DNDF transaction because the total portfolio investment amount, including the rupiah account, is not smaller than the DNDF transaction despite asset adjustment to the portfolio investment.

4. Is there any example of statement letter to be submitted by a Foreign Party to a Bank?

The example of the statement letter is as follows:

#### STATEMENT LETTER

Referring to Bank Indonesia Regulation No. 22/2/PBI/2020 on the Second Amendment to Bank Indonesia Regulation No. 20/10/PBI/2018 on Domestic Non-Deliverable Forward Transactions, we the undersigned:

1. Name of individual/company : .....
2. Address of individual/company : .....

Hereby declare that we will follow the applicable provisions and:

1. For an underlying transaction in the form of rupiah cash account only, the account balance must at any time be higher than or equal to the corresponding DNDF transaction.
2. For an underlying transaction in the form of rupiah account as part of portfolio investment, the whole portfolio investment amount must be higher than or equal to the corresponding DNDF transaction.

With regard to the DNDF transaction, we declare that:

1. Information herein is true and may be justified;
2. If anything inconsistent with this statement is found in the future, all legal consequences arising therefrom will become our full responsibility.

We make this statement voluntarily without duress from any party and for proper use.

[city], [date, month, year]

Name and Title

Name of represented Company:

Legal ground to represent:

5. How to ensure that the balance in a Foreign Party's rupiah account is not smaller than the corresponding DNDF transaction?

To ensure that, a Bank must monitor at least twice a week. However, the Bank must anytime ensure adequacy of the Foreign Party's underlying transaction.